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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 AGRE-00 PA-01 PRS-01 L-03 H-01 /085 W
----------020212Z 012820 /63
R 290125Z JAN 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 9991
INFO AMCONSUL MONTERREY POUCH

C O N F I D E N T I A L MEXICO 1104

EO 11652: GDS
TAGS: EFIN
SUBJECT: NEED TO ASSURE POTENTIAL INVESTORS

1. MEXICAN BUSINESS/BANKING COMMUNITY HOSTED LUNCH JANUARY 27 FOR BANK OF AMERICA SENIOR VP VAN LEARDEN, WHO REPORTEDLY PUT TOGETHER LAST FALL'S $800 MILLION LOAN FOR MEXICO. AMBASSADOR WAS PRESENT. VAN LEARDEN TOLD GROUP HE THOUGHT MEXICO WOULD GET THROUGH 1977 WITHOUT SERIOUS PROBLEMS, BUT THAT HE WAS CONCERNED ABOUT 1978/79. GOM'S PRIORITY NEED NOW, WAS TO REASSURE FOREIGN AND DOMESTIC INVESTORS AND LENDERS, AS WELL AS THE IMF AND OTHER INTERNATIONAL FINANCIAL INSTITUTIONS, OF ITS SERIOUS INTENT TO OVERCOME ITS PRINCIPAL PROBLEMS, WHICH VAN LEARDEN DIVIDED INTO SHORT AND LONGER TERM.

2. HE CHARACTERIZED THE SHORT-TERM PROBLEM AS THE NNED TO PREVENT THE DEVELOPMENT OF A RUNAWAY CYCLE OF IN-FLATION SUCH AS HAD HIT CHILE AND ARGENTINA. THIS WOULD, HE SAID, REQUIRE SACRIFICE AND RESTRAINT NOW ON PART OF BOTH INDUSTRY AND LABOR. AT SAME TIME, PRICE LEVEL OF BASIC MARKET BASKET OF THE POOR COULD BE PROTECTED FROM INFLATION THROUGH APPROPRIATE ALLOCATION OF RESOURCES.
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3. IN THE LONG TERM, HE REPORTEDLY SAID MEXICO MUST CONTROL ITS POPULATION GROWTH, BRINGING NUMBER OF NEW ENTRANTS INTO JOB MARKET INTO LINE WITH JOB CREATING POSSIBILITIES OF THE ECONOMY.

4. VAN LEARDEN EXPRESSED UNDERSTANDING THAT ONLY 58 DAYS

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IN OFFICE WAS OBVIOUSLY INSUFFICIENT TO HAVE DEVELOPED
PROGRAMS OVER A BROAD SPECTRUM;BUT OF GREATEST PRIORITY
FOR GOM WAS NEED TO EXHIBIT A FAVORABLE ATTITUDE TOWARD
INVESTORS, IN PARTICULAR, THE GOM SHOULD CLARIFY ITS
ATTITUDE TOWARD NEW FOREIGN INVESTMENT, ESPECIALLY AS
MANIFESTED IN IMPLEMENTATION OF FOREIGN INVESTMENT LAW AND
PATENTS AND TRADEMARKS LAW, AND IT SHOULD ASSURE POTENTIAL
INVESTORS THAT THE "RULES OF THE GAME" WILL NOT CHANGE
AFTER INVESTMENTS ARE COMMITTED. GOM MIGHT ALSO DEVELOP
INCENTIVES SUCH A "REASONABL" DEPRECIATION (READ
RAPID) WRITEOFF TO ATTRACT INVESTORS.

5. WE ALSO UNDERSTAND VAN LEARDEN IS BEING PRESSED TO
ORGANIZE NEW LOAN TO GOM.

6. AMBASSADOR LEARNED THAT GROUP OF 40 MEXICAN
BUSINESS AND BANKING LEADERS HAD LENGTHLY SESSION WITH
PRESIDENT FROM WHICH THEY CAME AWAY HIGHLY ENCOURAGED THAT
THE WAR BETWEEN GOM AND PRIVATE SECTOR, PARTICULARLY
MONTERREY GROUP, WAS OVER. JLP EMPHASIZED THAT PRO-
DUCTIVITY MUST BE KEY GOAL IN ALL INVESTMENT, BOTH
PRIVATE AND PUBLIC, AND THAT HE WAS PARICULARLY INTERESTED
IN INCREASING RATE OF INVESTMENT IN PRIVATE SECTOR INCLUDING
FOREIGN INVESTMENT.

7. IN THIS REGARD, PRESIDENTIAL ADVISOR RAFAEL IZQUIERDO RE-
CENTLY TOLD AMBASSADOR THAT THE MONTERREY GROUP WILL SHORTLY ANNOUNCE
THE INTENTION TO UNDERTAKE MAJOR INVESTMENTS IN THE
AGRICULTURAL SECTOR THROUGHOUT THE COUNTRY AT INSTANCE
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OF THE GOVERNMENT.
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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: LOANS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MEXICO01104
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Format: TEL
From: MEXICO
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t1977015/aaaaaefo.tel
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Original Classification: CONFIDENTIAL
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Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Exemptions: n/a
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Review Release Date: n/a
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SAS ID: 3593316
Secure: OPEN
Status: NATIVE
Subject: NEED TO ASSURE POTENTIAL INVESTORS
TAGS: EFIN, MX, US
To: STATE
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